

Message Text

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S E C R E T SECTION 1 OF 2 BUENOS AIRES 2155

E.O. 11652: GDS

SUBJECT: SECURITY ASSISTANCE OBJECTIVES AND GUIDELINES FY 1977-81

STATE ALSO FOR AID

REF: SECSTATE MSG 015489 (DTG 222321Z JAN 75)

1. FOLLOWING FURNISHED IN REPOSE TO REFERENCED MESSAGE WHICH REQUESTED AN OVERALL ASSESSMENT ON VARIOUS ELEMENTS OF THE U.S. SECURITY ASSISTANCE PLANNED FOR ARGENTINA FOR FY 76 AND FOR THE PLANNING PERIOD. PARAGRAPH RESPONSES ARE KEYED TO STATEMENTS PARAGRAPH 3B(1) OF REFERENCED MESSAGE.

A. OVERALL ASSESSMENT OF THE NEED FOR, THE EFFECTIVENESS OF AND THE INTERRELATIONSHIP BETWEEN THE VARIOUS ELEMENTS OF U.S. SECURITY ASSISTANCE PLANNED FOR ARGENTINA:

INTRODUCTION:

(1) ARGENTINA REMAINS AT A CRITICAL POINT AS IT SEARCHES FOR SOLUTIONS TO INTERNAL POLITICAL, ECONOMIC AND TERRORIST PROBLEMS. BECAUSE OF ITS INFLUENCE IN SOUTH AMERICA, ITS STRATEGIC IMPORTANCE, RELATIVELY ADVANCED ECONOMIC, SCIENTIFIC AND CULTURAL DEVELOPMENT, ARGENTINA REMAINS IMPORTANT TO THE UNITED STATES. WHILE THE ARGENTINE ARMED FORCES HAVE NO SPECIFIC EXTERNAL THREAT DIRECTED AGAINST THEM BY ANY PARTICULAR COUNTRY, THEY ARE UNDER-

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GOING FORCE MODERNIZATION WHICH THROUGH CURRENT PROGRAMS AND DURING

THE PLANNING PERIOD DEMONSTRATE AN UNDERSTANDABLE DESIRE FOR IMPROVED CAPABILITY AGAINST AN EXTERNAL THREAT. FOR BOTH THE NAVY AND AIR FORCE THIS IS HIGHLIGHTED BY EFFORTS TO IMPROVE ASW, AIR MOBILITY, AIR LOGISTICS AND AIR ATTACK. THE ARMY, THROUGH FORCE MODERNIZATION, IS ALSO ATTEMPTING TO IMPROVE ITS CAPABILITY AGAINST THE EXTERNAL THREAT. ITS GREATER EFFORT, HOWEVER, IS DIRECTED AGAINST A VERY REAL INTERNAL THREAT.

(2) PROGRAM OBJECTIVES/NEED FOR SECURITY ASSISTANCE.

(A) SUPPORT ARMY FORCE MODERNIZATION WHICH WILL INCREASE GOA'S INTERNAL SECURITY CAPABILITIES ESPECIALLY IN AIR MOBILITY, BOTH TRANSPORT AND ATTACK HELICOPTER FOR COUNTERING THIS THREAT.

(B) SUPPORT NAVY MODERNIZATION PROGRAMS AND UPDATING FORCE POSTURE TO ENHANCE THE ARGENTINE NAVY'S CAPABILITY IN DEFENDING AGAINST EXTERNAL AGGRESSION, EMPLOYMENT IN A COUNTER-INSURGENCY ROLE, PEACEKEEPING ASSIGNMENTS AND EMPLOYMENT AS A HIGH QUALITY ASW AND CONVOY PROTECTION FORCE IN THE SOUTH ATLANTIC.

(C) INCREASED AIR FORCE POSTURE THROUGH STANDARDIZATION AND MODERNIZATION. PROVIDE ADDITIONAL LOGISTICAL AND VERTICAL AIRLIFT CAPABILITY. OVERALL PROGRAM DESIGNED TO IMPROVE AIR DEFENSE, SURVEILLANCE CAPABILITIES IN THE SOUTH ATLANTIC AND IMPROVED LOGISTICAL CAPABILITIES.

(D) TECHNICAL TRAINING AND PROFESSIONAL SCHOOLING RELATED TO INTRODUCTION OF NEWER EQUIPMENTS, R AND D AND ADVANCED LOGISTICAL MANAGEMENT HAVE TAKEN ON INCREASED IMPORTANCE AS FORCE MODERNIZATION PROGRESSES. TRAINING ESPECIALLY AT U.S. SCHOOLS IS AN EFFECTIVE POLICY INSTRUMENT FOR DEVELOPING AND EXPANDING INFLUENCE ESSENTIAL IN MAINTAINING CLOSE CONTACTS WITH THE POLITICALLY IMPORTANT ARGENTINE MILITARY.

(3) EFFECTIVENESS OF AND THE INTER-RELATIONSHIPS BETWEEN THE VARIOUS ELEMENTS OF U.S. SECURITY ASSISTANCE PLANNED FOR ARGENTINA.

OVERALL EFFECTIVENESS IN TERMS OF GOALS OUTLINED ABOVE CAN BEST BE MEASURED IN TERMS OF IMPROVED SELF RELIANCE AS COVERED IN SUBSEQUENT PARAGRAPHS. ALSO NOTED ARE INCREASING AMOUNTS OF COMMERCIAL PURCHASES AS EVIDENCED BY PURCHASES OF COMMUNICATIONS EQUIPMENT, HELICOPTERS, T-39 SABRELINERS, TRANSPORT AIRCRAFT AND TRAINING COURSES PURCHASED DURING MAP-T PROGRAM SUSPENSION. INCREASED AWARENESS IS ALSO BEING GIVEN BY INTEREST SHOWN IN
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ADVANCED MANAGERIAL/LOGISTIC COURSES AT THE POSTGRADUATE LEVEL. OVERALL BALANCE OF VARIOUS ELEMENTS OF THE TOTAL PROGRAM ARE CONSIDERED IN CONSONANCE WITH MODERNIZATION AND FORCE OBJECTIVES. MAINTENANCE OF A HIGH LEVEL OF U.S. CREDIT IS ALL IMPORTANT TO THE CONTINUANCE OF THESE OBJECTIVES. OF TOTAL PURCHASES THE HIGH COST OF AIRCRAFT IS THE CRITICAL FACTOR IN FORCE MODERNIZATION.

B. EVALUATION OF IMPACT ON SECURITY ASSISTANCE REQUIREMENTS

OF OTHER U.S. ECONOMIC ASSISTANCE, THIRD COUNTRY MILITARY AND ECONOMIC ASSISTANCE, AND ASSISTANCE PROVIDED BY INTERNATIONAL FINANCIAL INSTITUTIONS.

ECONOMIC CONDITIONS ARE CONSIDERED UNSTABLE AT PRESENT. INFLATION HAS BECOME ONE OF THE GOVERNMENT'S MOST PRESSING PROBLEMS. IN 1975, THE INCREASE IN THE CONSUMER PRICE INDEX (COL) COULD EASILY REACH 60 PERCENT AND THE REAL RATE OF INFLATION FOR THE ECONOMY (I.E., FOR ITEMS NOT INCLUDED IN THAT INDEX) IS LIKELY TO BE A GOOD DEAL HIGHER. THIS WILL MEAN INCREASED EXPENDITURES FOR THE ARMED FORCES FOR LOCALLY PRODUCED ITEMS.

ON THE EXTERNAL SIDE, THERE ARE ALSO PROBLEMS. AFTER TWO YEARS OF FAVORABLE BALANCE OF PAYMENTS, PROSPECTS FOR 1975 ARE MORE UNCERTAIN. TO ACHIEVE SATISFACTORY PERFORMANCE, THE GOA IS SEEKING ADDITIONAL CAPITAL INFLOWS VIA COMMERCIAL BANK CREDITS AND/OR LOANS FROM PETROLEUM EXPORTING COUNTRIES (LIBYA, VENEZUELA, ETC.). THE INTERNATIONAL FINANCIAL INSTITUTIONS (WORLD BANK, IDB) ARE EXPANDING CREDITS HERE BUT NOT ENOUGH TO SATISFY GOA REQUIREMENTS. THE U.S. ITSELF PROVIDES NO DIRECT ECONOMIC AID AND ASSISTANCE FROM THIRD COUNTRY SOURCES IS MINIMAL.

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S E C R E T SECTION 2 OF 2 BUENOS AIRES 2155

IN THIS SITUATION, THE CAPACITY OF THE ARMED FORCES TO OBTAIN BADLY NEEDED MILITARY EQUIPMENT OVER THE NEXT SEVERAL YEARS IS LIKELY TO BE QUITE TIGHT. THE GOA ALREADY HAS ANNOUNCED ITS DETERMINATION TO HOLD DOWN PUBLIC EXPENDITURES OF ALL KINDS

INCLUDING MILITARY. THE RECENT DEVALUATION OF THE PESO WILL RAISE THE BUDGETARY COST OF PURCHASING EQUIPMENT ABROAD AND REPAYING EXTERNAL DEBT.

THUS FOREIGN AND LOCAL PROCUREMENT WILL PROBABLY REQUIRE EXTENSIVE FINANCING.

C. EVALUATION OF SIGNIFICANT TRENDS TOWARDS SELF-SUFFICIENCY IN DEFENSE FINANCE AND PROCUREMENT.

(1) BY VIRTUE OF CESSATION OF MATERIAL GRANT AID IN 1968 AND GRANT AID TRAINING IN 1975, THE ARGENTINE ARMED FORCES HAVE INCREASED SELF-SUFFICIENCY IN DEFENSE FINANCE PROCUREMENT. HIGH-LIGHTING THIS HAS BEEN THE PURCHASE OF TRAINING COURSES ON A CASH/FMS CREDIT BASIS. FOR EXAMPLE, THE ARGENTINE ARMY HAS TO DATE PAID CASH FOR PRACTICALLY ALL COURSES FORMERLY PROGRAMMED UNDER THE FY 75 MAP-T PROGRAM. HOWEVER, WITH RESPECT TO TRAINING FOR COST EFFECTIVENESS REASONS IT IS AND WILL CONTINUE TO BE MORE ECONOMICALLY TO PURCHASE CERTAIN TRAINING THAN TO ESTABLISH THEIR OWN TRAINING FACILITIES. ON PROCUREMENT/FINANCE, WITH RESPECT TO THE ARGENTINE AIR FORCE ALONE, PURCHASES OUTSIDE OF FMS REACHED AN ESTIMATED HIGH OF \$30 MILLION DURING THE 1973-74 TIME FRAME.

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(2) SPECIFIC EXAMPLES OF SELF-SUFFICIENCY:

(A) PREDOMINANCE OF TRAINING PROGRAMMED FOR PURCHASE AT PRESENT DESIGNED FOR TRAINING IN OPERATION AND MAINTENANCE OF NEWLY INTRODUCED EQUIPMENT AND PROFESSIONAL DEVELOPMENT COURSES. ALL OTHER TRAINING SELF-SUFFICIENT.

(B) PLANNED PRODUCTION OF THEIR OWN COIN PUCARA AIRCRAFT IN THE MILITARY FACTORY OF CORDOBA. INITIAL MODELS ARE TURBO-PROP BUT PLANS ARE TO PRODUCE A JET MODEL IN THE NEAR FUTURE. PRODUCTION PLANS CALL FOR 100 AIRCRAFT WITH HOPES FOR SELLING SOME TO ONE OR MORE THIRD COUNTRIES.

(C) PRODUCTION OF CESSNA AIRCRAFT UNDER LICENSE IN CORDOBA FOR CIVIL AND MILITARY USE.

(D) CONTINUED INCREASES IN AIRCRAFT ENGINE OVERHAUL CAPABILITY IN-COUNTRY FURTHERS AAF SELF-SUFFICIENCY IN FINANCIAL MANAGEMENT AS DOES (1) THE INSTALLATION OF A PRECISION MEASURING EQUIPMENT LABORATORY AT QUILMES DEPOT, AND (2) COMPLETION OF A C-130 AIRCRAFT INSPECTION AND REPAIR AS NECESSARY (IRAN) FACILITY AT PALOMAR AIR BASE.

(E) SIMILARLY THE ARGENTINE ARMY IS MAKING STRIDES TOWARDS SELF-SUFFICIENCY IN MATERIAL AREAS OF PRODUCING COMPOONONENTS OF ARTILLERY AMMO, ALL OF THEIR OWN WHEELED VEHICLES, 105MM WEAPONS ARE ON THE DRAWING BOARDS WITH PRODUCTION EXPECTED IN THE NEAR FUTURE, MANUFACTURER OF THE 105MM CANNON FOR THE AMX-13 AND MODIFIED SHERMAN TANK AND THEY ARE CURRENTLY IN THE DESIGN STAGE OF PRODUCING A TANK WITH A FOLLOW-ON COMPLETE LINE OF ARMORED VEHICLES.

(F) WHILE THE ARGENTINE NAVY IS STILL DEPENDENT ON THE U.S. FOR SHIPS (PROGRAMED SUBSEQUENT TO ORIGINAL POM SUBMISSION ARE ACQUISITION OF 22 SHIPS FY 77-81 TO INCLUDE A CARRIER

OF THE ORISKANY CLASS AND POSSIBLY A CRUISER OF THE GALVESTON
CLASS) EFFORTS ARE BEING MADE TO ACQUIRE THE TECHNICAL EXPERTISE IN
SHIPBUILDING THROUGH CO-PRODUCTION OF A FRIGATE. THE ARGENTINE
NAVY IS SELF-SUFFICIENT IN SHIP OVERHAUL AND DRYDOCKING
CAPABILITY.
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